



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Re: Joint Favorable Substitute House Bill 6734: An Act Concerning Surety Bail Bond Agents

The Department would like to bring to your attention its concerns with Joint Favorable Substitute Bill H.B. 6734 An Act concerning Surety Bail Bond Agents which was voted out of the Insurance Committee on March 5th. H.B. 6734 if enacted as currently written, would remove existing provisions regarding collection of payment plans that are extended by bail bondsmen to defendants. The Joint Favorable Substitute will seriously undermine the Department's ability to ensure that proper premiums are collected when a defendant is bonded out, thus increasing abuses within the bail bond industry.

By extending the required timeframe to pursue collection of payments due under a payment plan, surety bail bond agents may use such plans as a mechanism to subtly engage in an unfair method of competition called "undercutting". Undercutting is the term used when surety bail bond agents attempt to take away business from their competitors by charging premiums lower than the rates required by law. Unscrupulous surety bail bond agents seeking to circumvent statutory prohibition against rebates, which currently prevent agents from giving to their clients valuable consideration as an inducement to insurance, will collect an initial fee for a bond with the understanding that part or all of the balance due will not be collected. In years past, this practice created significant problems for the courts and for honest, law abiding surety bail bond agents.

In addition, extending the mandatory collection timeframe to 36 months would essentially remove all ability by the Department to prevent undercutting, as this timeframe would exceed the period in which surety bail bond agents are required to maintain records of bail bond transactions. Under current statutes, bondsmen are required to maintain all relevant paperwork for 3 years from the date of disposition of the case. If the payment plan is allowed to continue to 36 months, then the bondsman might not be in possession of the file documents by the time the Department conducts an audit to ensure that all premiums have been collected.

The great majority of bonds written have payments which, when spread over a period of thirty six months as proposed, would be less than the \$1,000 limit noted in this substitute language. Only bonds in excess of \$550,000.00, which are few and far between, could conceivably carry payments over \$1,000.00 for 36 months. Therefore, by allowing this provision to go forward, the legislature is effectively sanctioning "undercutting" by surety bail bond agents.

The current legislation that was enacted in 2011 was in response to decay in the bail bond process which bordered on lawlessness and was brought about in major part by the process of "undercutting". In particular, this section of the legislation was formulated in response to some high profile murders which occurred after defendants were released from custody after posting bonds where the surety bail bond agent charged little or no money to provide bail, thus enabling the defendant to be released immediately after arrest and without appropriate security.

The Insurance Department is aware of a number of cases supporting the correlation between low bail bond rates and the likelihood that arrested individuals released from custody on bonds whose premiums had been illegally reduced were likely to reoffend upon their release.

In addition to general allegations from numerous individuals from the bail bond community that there have been numerous instances in past years of violent crimes perpetrated by individuals released on illegally discounted bonds - see, e.g., testimony of February 19, 2009 in favor of Raised Bill 6354 by bail bond agent Patrick Moynihan - the Department is aware of the following specific instances in which dangerous offenders were released after posting bail on discounted bonds only to commit murder or other violent crimes upon their release:

- On January 17, 2010 Selami Ozdemir of West Haven shot his wife to death and then turned the gun on himself. Mr. Ozdemir had been arrested for domestic violence the previous day and was released on bail after only 90 minutes of detention, having posted a \$25,000 bond. Much of the debate following the murder, centered on how Mr. Ozdemir was able to post bail so quickly. It turns out that the surety bail bond agent who posted the bond did not charge any money upfront or require a payment plan to place the bond. Please see the report on the murder by the Office of the State's Attorney, which concluded that being able to post a bond without the time to come up with the proper premium allowed Mr. Ozdemir to be released immediately, thus preventing any cooling off period, and allowed him to leave the police station immediately and procure the gun used in the homicide.
- In 1999, Robert Peeler was released from prison on bond while awaiting a murder trial for killing 27 year old Rudolph Snead while he drove 7 year old Leroy Brown from the Boys and Girls Club. Mr. Peeler posted \$900,000 in bonds for the shooting of Mr. Snead and other charges and paid an illegally discounted premium of 50,000 (the legal premium was around \$90,000). While out on bond, Mr. Peeler arranged the murders of 7 year old Leroy Brown and his mother, Karen Clarke.
- In 2010, Eric Stiggle, who had been arrested for kidnapping and stabbing his wife in Bridgeport, walked out of prison, where he was held on a \$1.3 million bond, after a surety bail bond agent, Marjorie Wilson, agreed to post the bond without receiving any money upfront and accepted as security a bogus letter purportedly written by an attorney falsely stating that Mr. Stiggle had the money to pay for the bond in a bank account. After he was released without paying a dime, Mr. Stiggle confronted his wife at her mother's house on Wilson Street attempted to strangle her and then stabbed her prior to being recaptured by the police.
- In 2008, Darryl Crenshaw was released on bail while awaiting trial for having assaulted and kidnapped a girlfriend who wanted to break up with him. Mr. Crenshaw allegedly paid a substantially reduced premium for the bond and, after his release, kidnapped and strangled his former girlfriend, Ashley Peoples, and eluded the authorities for over five months, until he was captured in Mexico City.

For additional information on the bail system in Connecticut and problems associated with certain aspects of that process, including the problem of undercutting summarized in this correspondence, I am providing a copy of the staff findings and recommendations in a 2003 study by the Legislative Program Review and Investigation Committee entitled "Bail Services in Connecticut" ("Report") for your review. With regard to the problem of undercutting, I would direct your attention to page 66 of the Report, which states in

pertinent part that “undercutting and rebating allow for unequal and inequitable treatment to defendants” and that discounted fees for bonds are “contrary to the original purpose of bail, which establishes a financial incentive for a defendant to appear in court.” The Report also states that in response to the illegal and unfair pricing practices, prior to the enactment P.A. 11-45, which strengthen bail bond regulation, judges had reported increasing the amounts of surety required for bail in certain cases to partially take into account the possible discounts by surety bail bonds agents, thus generally increasing the fees for all defendants. *Id.* pg. 66.

In short, this bill would undermine the ability of the Department to properly enforce the statute enacted in 2011. The Department strongly encourages the Legislature not to allow this bill to move forward.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department’s annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.